

**ELECTRONICALLY FILED WITH RCA**

June 15, 2023

Regulatory Commission of Alaska
 701 W. 8th Avenue, Suite 300
 Anchorage, Alaska 99501

Subject: Tariff Advice No. 541-8; Chugach Electric Association, Inc.'s South District Electric Reliability Organization Surcharge for Rates Effective June 1, 2023

Commissioners:

The tariff filing described below is transmitted to you for filing in compliance with the Alaska Public Utilities Regulatory Act and Sections 3 AAC 48.200 - 3 AAC 48.430 of the Alaska Administrative Code. In accordance with 3 AAC 46.420(e)-(f), Chugach Electric Association, Inc. (Chugach) implemented the Electric Reliability Organization (ERO) surcharge on member bills effective June 1, 2023. With this submittal, Chugach is proposing to add the ERO surcharge to its South District¹ operating tariff and is requesting approval from the Regulatory Commission of Alaska (Commission) of the tariff sheet submitted herein.

| <u>TARIFF SHEET NUMBER</u> | | <u>CANCELS SHEET NUMBER</u> | | <u>SCHEDULE OR RULE NUMBER</u> |
|----------------------------|----------------|-----------------------------|----------------|------------------------------------|
| <u>ORIGINAL</u> | <u>REVISED</u> | <u>ORIGINAL</u> | <u>REVISED</u> | |
| 102.1 | Original | --- | --- | ERO Surcharge |

As permitted by 3 AAC 46.420(e)-(f), Chugach is proposing to apply a pass-through surcharge on retail member bills to recover amounts paid to the certificated ERO serving the interconnected bulk electric system of the Alaska Railbelt (Railbelt). This filing is not for a new service, will not result in the termination of an existing service, conflict with any other schedule or rate contained in Chugach's operating tariff, or in any other way adversely impact customers or the public. Chugach provides electric service to approximately 93,000 retail members with 113,000 retail metered locations and wholesale customer Seward Electric System (Seward). Chugach is projecting annual revenues of approximately \$356.1 million for the calendar year 2023.

Background

The ERO is a statutorily created entity that is responsible for developing and enforcing reliability standards and transmission interconnection standards as well as conducting integrated resource planning for the Railbelt. Pursuant to AS 42.05.760(e), the Commission issued Order No. E-22-

¹ The service area under Certificate of Public Convenience and Necessity (CPCN) No. 8 is designated as the South District and the service area under CPCN No. 121 is designated as the North District. The tariff sheet for North District members is being submitted to the Regulatory Commission of Alaska (Commission) in Tariff Advice No. 419-121. The proposed ERO surcharge factor for the North and South District are identical in both filings.

Chugach Electric Association, Inc.

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001(12)² approving the Railbelt Reliability Council's application to be the certificated ERO for the Railbelt.

On March 1, 2023, the Commission issued Order No. E-22-002(2)/E-23-001(5)³ approving the RRC's 2023 budget on an interim and non-refundable basis effective April 1, 2023. The ERO is authorized to recover its costs from load serving entities (LSE) like Chugach that are connected to the Railbelt.⁴ Correspondingly, those LSEs are authorized to "implement a separate charge on [their] bills to retail customers to collect the commission approved electric reliability surcharge [they are] assessed."⁵ Notably, prior commission approval is not required so long as the LSE submits a tariff filing reflecting the new charge no later than 15 days after implementation.⁶

ERO Surcharge

On April 6, 2023, the RRC issued its initial monthly surcharge to Chugach in the amount of \$109,278.43. As permitted by 3 AAC 46.420(e), beginning June 1, 2023, Chugach implemented the ERO surcharge on member bills for recovery of amounts paid to the RRC. In compliance with 3 AAC 46.420(f), Chugach is submitting this tariff advice filing within the required 15-day period after implementation of the ERO surcharge.

The ERO surcharge is applied to member bills based on their monthly energy usage and is treated as a pass-through charge. Chugach will collect no more and no less than the amount paid to the RRC and will use a balancing account to record under and over recovery amounts to be resolved through periodic rate adjustments.

The RRC is required to file surcharge revisions at least annually.⁷ Chugach will update its ERO charge to members following any RRC surcharge revisions but also reserves the right to revise its ERO charge as necessary to adjust for budget revisions, balancing account balances, or other conditions requiring an adjustment.

Chugach's ERO surcharge is calculated on the total amount of Chugach's LSE share of the RRC 2023 budget divided by projected retail sales for the cost recovery period. The proposed methodology for calculation of the ERO surcharge is provided with this filing on Exhibit 1.

In subsequent ERO surcharge factor updates, the calculation of the amount to be recovered will be adjusted by the over or under recovery balance in the projected period balancing account. The projected period balancing account balance incorporates actual and projected cost and recovery

² Order No. E-22-001(12), Order Approving Application for Certificate to be an Electric Reliability Organization, Requiring Filings and Providing Guidance for Future Filings, and Closing Docket.

³ Order No. E-22-002(2)/E-23-001(5), Order Granting Petitions to Intervene in Docket No. E-22-002, Accepting Partial Stipulation, Consolidating Dockets, Addressing Statutory Timeline for Docket E-23-001, Adopting Procedural Schedule, Vacating Previous Procedural Schedule, Approving 2023 Budget on an Interim Basis, Approving Inception Surcharge on an Interim Basis, Granting Request for Waiver, Approving Tariff Sheets, and Extending Tariff Suspension Period.

⁴ AS 42.05.770(3).

⁵ 3 AAC 46.420(e).

⁶ 3 AAC 46.420(f).

⁷ 3 AAC 46.420(b).

amounts. The proposed calculation of the ERO surcharge is summarized in the formula show below:

$$\text{ERO Surcharge} \quad = \quad \frac{(\text{LSE Share of RRC Budget +/- Projected Balancing Account Balance})}{(\text{Projected Budget Period Retail Sales})}$$

(\$/kWh)

Explanation of Tariff Sheet

Tariff Sheet No. 102.1: This new tariff sheet provides background information to explain the function of the ERO, the applicability of the ERO surcharge to Chugach's retail members, and the proposed ERO surcharge billing factor for rates effective June 1, 2023.

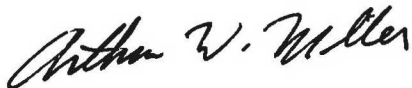
Supporting Exhibit

Exhibit 1 presents Chugach's LSE share of the authorized RRC 2023 budget and the calculation of the ERO surcharge factor to be applied to member bills for recovery.

Please contact Jean Kornmuller, Sr. Manager, Regulatory Affairs at (907) 762-4184 or Jean_Kornmuller@chugachelectric.com if additional information is needed.

Sincerely,

CHUGACH ELECTRIC ASSOCIATION, INC.



Arthur Miller
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Attachments

cc: Rob Montgomery, Utility Director, City of Seward

RCA No. 8OriginalSheet No. 102.1CancelingSheet No.

Chugach Electric Association, Inc.

ELECTRIC RELIABILITY ORGANIZATION SURCHARGE

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The electric reliability organization (ERO) is a statutorily created entity that is responsible for developing and enforcing reliability standards and transmission interconnection standards as well as conducting integrated resource planning for the Railbelt electric system. The ERO recovers its costs associated with those activities from load serving entities (LSE) like Chugach that are located within an interconnected bulk-electric system served by the ERO. Any LSE that is subject to the ERO cost-recovery surcharge may also implement a separate charge on its bills to retail customers to recover costs it incurs through payment of the ERO's surcharge. This tariff sheet contains the terms, conditions, and charges associated with Chugach's recovery of the ERO related costs described above.

A. Applicability

The ERO surcharge is applicable to Chugach Retail Members.

B. ERO Surcharge Balance Account

Chugach shall maintain a balancing account to reflect its LSE share of allocated costs and the amounts recovered through the surcharge.

C. ERO Surcharge

The surcharge rate will be adjusted annually to reflect changes in the cost allocation amount as adjusted by balancing account balances. Chugach reserves the right to revise the rate more frequently if necessary.

ERO Surcharge: \$0.00090 per kWh

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Chugach Electric Association, Inc.
Anchorage Alaska

Electric Reliability Organization Cost Recovery
Certificated ERO: Railbelt Reliability Council
Tariff Advice Nos. 541-8 / 419-121

Exhibit 1
2023 RRC Budget Period ERO Surcharge Calculation

| Description | Totals |
|---|---------------|
| RRC Budget Period: April 1 through December 31, 2023 | |
| Chugach Allocation of RRC Operating Budget | \$983,506 |
| Other RRC Costs | \$0 |
| Chugach Cost Share of RRC Payments to be Recovered | \$983,506 |
| ERO Prior Period Balancing Account | |
| Beginning Period Balance | \$0 |
| Debits | \$0 |
| Credits | \$0 |
| Ending Period Balance | \$0 |
| ERO Projected Period Balancing Account | |
| Beginning Period Balance | \$0 |
| Debits | \$0 |
| Credits | \$0 |
| Ending Period Balance | \$0 |
| Projected Period Ending Balance in Balancing Account | \$0 |
| ERO Surcharge Recovery Period: June 1 through December 31, 2023 | |
| Adjusted Allocation for Recovery | \$983,506 |
| Recovery Period Projected Sales (kWh) | 1,092,658,100 |
| ERO Surcharge (\$/kWh) | \$0.00090 |